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TO RUEHBW/AMEMBASSY BELGRADE PRIORITY

RUEHSQ/AMEMBASSY SKOPJE PRIORITY

RUEHVB/AMEMBASSY ZAGREB PRIORITY

RUEHC/SECSTATE WASHDC PRIORITY

INFO RUCNMUC/EU CANDIDATE STATES COLLECTIVE PRIORITY

RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY

RUEHUP/AMEMBASSY BUDAPEST PRIORITY

RUEHTI/AMEMBASSY TIRANA PRIORITY

RUEHPS/USOFFICE PRISTINA PRIORITY

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SUBJECT: EU DONOR COORDINATION IN THE BALKANS (OTHER COUNTRIES)

REF: A. BRUSSELS 00034

[¶B.](#) BRUSSELS 00043

[¶C.](#) BRUSSELS 00045

[¶11.](#) SUMMARY: Ongoing development programs in several Balkan countries including Croatia, Macedonia and Montenegro were discussed during a December 13 donor coordination meeting organized by the European Commission (EC) in Brussels. The EC anticipates making more than 450 million euros available to Croatia over the next three years. In contrast, bilateral assistance (from EU member states) to that country is very modest and largely in a phase-out mode. On a per capita basis, both Macedonia and Montenegro receive relatively large amounts of donor assistance from various European partners and EC interest remains strong, though some bilateral programs in Macedonia in particular are also moving toward phase out.

[¶12.](#) BACKGROUND: On December 13, the EC hosted an all-day donor coordination meeting in Brussels to seek bilateral input in conjunction with the development of a new EC assistance strategy for the Balkans covering the period 2008-2010. Opened by Michael Leigh, Director-General for Enlargement, the event was partly a "show and tell" involving contributions from individual donors. The USAID Representative to the EU attended on behalf of the US; other non-EU members represented included Switzerland and Norway. This is the fifth and final installment in a series of cables summarizing current programs and future plans for various donors now working in the Balkans.

[¶13.](#) CROATIA: Anticipated EC funding for Croatia over the next three years (2008-2010) is significant, reaching around 451 million euros. Areas of special interest include cross border cooperation, rural development, training, institution-building and "twinning" relationships with members states--all aimed at facilitating formal EU accession. In contrast, bilateral European donors in Croatia have largely either disappeared or are entering into a phase-out mode. For example, France manages a small bilateral aid program in Croatia, on the order of 900,000 euros annually; Netherlands no longer has a direct bilateral aid engagement with Croatia; and Sweden will be closing out most of its bilateral assistance program soon. However, the Swedes also stated that their current commitment to support public administration and land management will be honored and that this particular project will continue into 2009.

¶4. MACEDONIA: Anticipated EC funding for Macedonia over the next three years (2008-2010) is estimated at some 244 million euros. "Competitiveness" is viewed as an important organizing theme, though specific details still need to be worked out. Other areas of interest in Macedonia include institution building, cross border cooperation, including with Bulgaria and Greece; regional development, including transportation infrastructure; human development, with an emphasis on employment; education and social inclusion; and rural development, with a focus on business development, EU standards and the environment.

¶5. Bilateral European aid programs continue to support various sectors in Macedonia, though at least some donors are moving toward a phase out mode. For example, the Dutch have provided 237 million euros to Macedonia since 1994 and made 50 million euros available in 2007. Activities cover several areas, including public financial management, good governance, basic education and the private sector. Also, education programs include a co-financing partnership for educational infrastructure with the World Bank. Despite continued interest in development in Macedonia, the Dutch indicated that their aid program is now moving toward "phase out".

¶6. Austria provided 2.4 million euros to Macedonia in 2007, with some 16 million euros having been provided since the middle 1990s. Water and energy have always loomed large in the Austrian aid portfolio. Also, the Austrians cooperate with the Dutch on water and the Swiss and Norwegians on school modernization. Other donors involved include the UK (around one million pounds annually with a focus on good governance and economic growth); France (modest budgets, largely focused on magistrates, public executives and the

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police in the area of trafficking); and Sweden (areas of particular interest here include agriculture, human rights and the environment).

¶7. MONTENEGRO: Planned EC funding for Montenegro is 85 million euros over the next three years (2008-2010). Along with Kosovo, this represents the largest per capita EC investment in the Balkans. A four person EC delegation manages the program in the field. Areas of particular interest include democracy, governance and economic growth, with civil society emerging as a new area of involvement. The intent in every case is to promote European integration.

¶8. Austria started its bilateral aid program in Montenegro in 1998 and opened an office there seven years later. So far, Austria has provided five million euros to Montenegro. Priorities over the next three years include tourism, education, governance and institution building. Also, Austria supports vocational training for the Roma community.

¶9. Several other European donors also noted some level of aid involvement in Montenegro. These include France (loans for the power sector and other infrastructure projects); Italy (assistance for the disabled and programs to promote both sustainable agriculture and sustainable tourism); and Sweden (seven million euros over the next three years to support aid programs in Montenegro managed out of the Swedish embassy in Belgrade).

¶10. COMMENT: While Kosovo generated the most interest during this dy-long working level meeting, the format afforded a fairly comprehensive overview of a variety of other donor programs either underway or planned across the former Yugoslavia. From a donor standpoint, Croatia is viewed as a particularly notable success story. While bilateral aid programs in Croatia are now either modest or phasing out, EC funding levels will be significant over at least the next three years, all organized around a European integration theme. A similar interest underpins the significant EC aid investment anticipated for both Macedonia

and Montenegro during the coming three years.

MURRAY

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